MORTGAGE BANKING

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MORTGAGE BANKING

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Multifamily Securities

An Untapped Market

Last summer, the Federal Home Loan Mortgage Corporation (Freddie Mac) extended the horizons of the secondary mortgage market when the first pass-through securities, backed entirely by newly originated multifamily mortgages, were sold. After selling $700 million worth of multifamily participation certificates (PCs) in August 1985, Freddie Mac introduced them to foreign investors with a $100 million sale in September. The creation of the multifamily PC represents a crucial step in improving the liquidity of multifamily loans and should increase the flow of funds to that sector.

In designing the multifamily PC, Freddie Mac adapted the structure of the single-family PC to correspond with both the features of the underlying multifamily mortgages and the preferences of targeted institutional investors. The structure of the new multifamily PCs is that of a straight pass-through using the grantor trust vehicle. Freddie Mac purchases mortgages of a specific type (which is called a Plan B mortgage), pools the mortgages and sells securities representing undivided interests in the mortgage pool. Freddie Mac collects monthly principal and interest payments from seller/servicers, then passes through a *pro rata* share to each PC holder, guaranteeing investors timely payment of interest at the PC coupon rate and ultimate return of principal.

Compared with the original single-family PCs that are backed by 30-year fixed-rate mortgages, the multifamily PCs have shorter expected lives, reflecting the 10-year to 15-year terms of the underlying Plan B mortgages. Plan B mortgages are first lien, fixed-rate, conventional mortgages on properties of five or more units. Typically, they are amortized over 30 years with a balloon payment at maturity. Subject to Freddie Mac's approval, a Plan B mortgage may be assumed at any time by a creditworthy borrower at the original note rate.

A key feature of the multifamily PC that appeals to institutional investors is the explicit call protection it provides during the early years. This is the first mortgage-related security to provide the investor with call protection as well as an intermediate life. Because Plan B mortgages have lock-out periods during which prepayment is prohibited, PC holders are fully protected from prepayments for that period. The mortgages backing the initial $700 million PC sale have lock-out periods ranging from 33 to 64 months from the PC issue date and those backing the $100 million foreign sale have lock-out periods ranging from 51 to 59 months. After the expiration of the lock-out period, prepayments are permitted, subject to a fee of at least 1 percent of the amount of principal prepaid.

"By developing a security backed entirely by multifamily mortgages, Freddie Mac has broken down some real and perceived barriers to securitizing multifamily mortgages."

By developing a security backed entirely by multifamily mortgages, Freddie Mac has broken down some real and perceived barriers to securitizing multifamily mortgages. Some analysts have argued that the diversity of loan types, relatively complex underwriting and greater perceived risks of multifamily mortgages would prevent the securitization of these loans. (See the article in *Secondary Mortgage Markets*, Winter 1985-86 for a more complete discussion.) Freddie Mac's success stems from experience in developing single-family mortgage-backed securities, technological and human resources and Freddie Mac's financial strength.

Freddie Mac selected a specific type of loan on which to focus the securitization efforts: the popular fixed-rate balloon loan. Once lenders and investors fully accept this program, Freddie Mac and other mortgage conduits can expand the formal secondary market to include additional loan types. Freddie Mac's financial strength and status as a congressionally chartered corporation have helped to allay investors' concerns about the risks of multifamily mortgage investments. Increased familiarity with these investments should gradually reduce the risk premiums in-

ILLUSTRATION BY GREG FITZSIMON

Leland Brendsel

vestors require, making it more feasible for private firms to issue multifamily securities. Selling loans should become faster and easier as the rapid pace of technological developments causes underwriting and other mortgage processing tasks to become increasingly automated and, therefore, less time-consuming.

How to sell loans to Freddie Mac

Selling multifamily mortgages or participation interests to Freddie Mac is easy. Originators can sell either loans already closed and on their books or new originations.

The first step is to determine whether the particular loan or loans meet the basic criteria for Freddie Mac's eligible mortgage types, Plan A and Plan B (see box listing criteria). Plan A loans generally are fixed-rate, fully amortizing, nonassumable loans with original terms of 10 years to 30 years. The more popular Plan B loans usually are 10-year to 15-year loans amortized over a period of up to 30 years with a balloon payment at maturity. Although any creditworthy borrower may assume a Plan B loan with Freddie Mac's approval, prepayment is prohibited for at least 54 months following delivery to Freddie Mac.

Once originators have determined that their loans meet either the Plan A or the Plan B basic requirements, the key question is price. To find out the current required net yield, call the Freddie Mac commitment rate line at (202) 789-4500 or check Telerate page 7119. If rates seem attractive, obtain a purchase commitment by calling (202) 789-2200 between 11:00 a.m. and 2:00 p.m. (Eastern Standard Time) on any business day.

Freddie Mac offers two delivery programs which are available for both Plan A and Plan B mortgages. The immediate delivery program is designed for loans that are already closed and on the lender's books. Once the lender obtains a purchase commitment from Freddie Mac, the lender must deliver the loan within 30 days. Lenders can sell loans that are still in process through an immediate delivery commitment, but because delivery is mandatory, the seller must be certain that it can close and deliver the loan within 30 days. Substitution of loans is generally not permitted, unless Freddie Mac requires the lender to do so. When the lender obtains Freddie Mac's immediate delivery purchase commitment, he locks in the required net yield for the 30-day period. The seller pays a loan review fee of $1,500 or 1 percent of the purchase contract amount (whichever is greater) when it submits the purchase contract and loan to Freddie Mac (within 24 hours of receiving the executed contract).

> "Freddie Mac's prior approval program enables the lender to obtain a firm purchase commitment before closing a loan."

Leland Brendsel is acting president of Freddie Mac. Prior to September 1985, Brendsel was executive vice president and chief financial officer. He directed the corporate finance, treasury, financial planning, securities trading and control functions. He was directly responsible for introducing the collateralized mortgage obligation in 1983. Prior to joining Freddie Mac, Brendsel was vice president and chief economist of the Federal Home Loan Bank Board of Des Moines, Iowa.

ELIGIBLE MORTGAGES

	Plan A	Plan B
Minimum loan amount*	$100,000	$100,000
Maximum loan amount*	$7.5 million	$20 million
Minimum remaining term	10 Years	10 Years
Original term to maturity	10-30 Years	10-15 Years
Amortization period	10-30 Years	10-30 Years
Assumable?	No	Yes
Prepayment	Any time	Prohibited for at least 54 months after our purchase

*Original mortgage amount

Freddie Mac's prior approval program enables the lender to obtain a firm purchase commitment before closing a loan. Freddie Mac reviews the loan and underwriting and, if the loan is acceptable, quotes a yield and commits to purchase the loan at that yield. The lender then has 10 business days to accept Freddie Mac's offer and pay a 2 percent commitment fee; Freddie Mac refunds 1.5 percent when the seller delivers the required documentation. Upon acceptance of Freddie Mac's offer, the seller has 90 days to close and deliver the loan. The seller must convert to a 30-day mandatory delivery contract within 60 days of the expiration of the 10-business day offer period. The seller, of course, can choose not to deliver the loan, forfeiting the commitment fee.

Although the seller locks in a maximum required net yield for the length of the commitment period, at any time during that 60-day period the seller can convert to a mandatory delivery contract at the current immediate delivery rate rather than the maximum yield quoted earlier. Thus, the seller can take advantage of any decline in rates during the commitment period but also is protected from rising rates by the maximum required net yield at the time of commitment.

What about servicing? Freddie Mac requires the seller to continue servicing the mortgage sold and, for whole loans, to retain a minimum spread over Freddie Mac's required net yield as compensation. The minimum servicing spread varies with the original loan amount. For loan amounts of $1 million or less, the minimum spread is 25 basis points. For loan amounts higher than $1 million and less than $10 million, Freddie Mac will negotiate the required spread on a case-by-case basis. If the lender is retaining a participation interest in the mortgage, its servicing compensation is the portion of the mortgage interest income exceeding Freddie Mac's required net yield.

Regarding underwriting and documentation, Freddie Mac's policies reflect the basic goal of purchasing investment quality mortgages. Obviously, Freddie Mac is concerned with both the creditworthiness of the borrower and the profitability of the un-

continued

derlying property. Not surprisingly, Freddie Mac requires the borrower's financial statements, the current rent schedule and the property's income and expense statements covering the current year and the two preceding years for *pro forma* statements for new or rehabilitated properties). Freddie Mac also requires submission of all appraisal reports obtained within the previous 30 months and a current appraisal (within 90 days of loan closing). Freddie Mac's *Seller/Servicers Guide* provides all of the details regarding underwriting guidelines and documentation requirements.

The best sources of information regarding Freddie Mac's multifamily purchase programs are the multifamily specialists in the Freddie Mac regional office serving each state and the Freddie Mac's *Seller/Servicers Guide*.

Other efforts to securitize multifamily mortgages

Freddie Mac's new multifamily PC is the first pass-through security backed by newly originated multifamily loans, but it is not the only game in town. Both Freddie Mac and Fannie Mae offer swap programs for multifamily mortgages which improve the liquidity of multifamily mortgages in lenders' portfolios. Lenders can exchange a group of mortgages for PCs or Fannie Mae mortgage-backed securities (MBSs) representing interests in that group of mortgages. Freddie Mac negotiates these multifamily swap transactions individually through Freddie Mac's special deals department headquartered in the Washington, D.C. office. Freddie Mac has exchanged PCs for approximately $828 million worth of multifamily mortgages from the first swap in June 1984 through December 1, 1985. In one of these transactions, Freddie Mac swapped PCs for a pool of variable interest rate (VIR) mortgages, precursors of today's adjustable rate mortgages, (ARMs) which were commonly used by California chartered banks prior to deregulation.

The Government National Mortgage Association (Ginnie Mae) offers a pass-through security program for FHA-insured mortgages secured by multifamily properties. An institution originates or purchases a mortgage and sells securities backed by that individual mortgage which must be at least $500,000. Ginnie Mae guarantees the security holders timely payment of principal and interest. In addition to fixed-rate, level-payment loans, mortgages with monthly payments that change according to a predetermined schedule, such as GPMs and balloon loans are eligible; the schedule of security payments corresponds to the schedule of mortgage payments. In the first three quarters of 1985, issuance of Ginnie Mae multifamily pass-throughs totaled $525 million, bringing the volume outstanding to $5.2 billion.

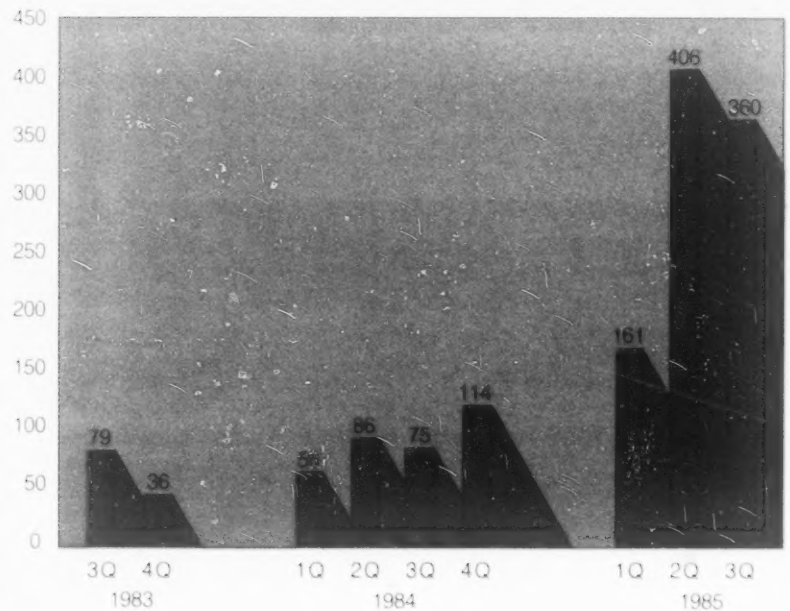
The Federal National Mortgage Association (Fannie Mae) purchases conventional multifamily mortgages for its portfolio, in addition to swapping mortgage pass-through securities for pools of multifamily loans. Eligible loans have fixed rates and maturities of 7 years, 10 years or 15 years with payments based on an amortization rate of up to 30 years and a balloon payment at maturity. Prepayments are prohibited for the first five years. Fannie Mae purchased $506 million worth of multifamily mortgages in the first three quarters of 1985 which brought its holdings to $6.2 billion or 6 percent of its portfolio. At the time of this writing, Fannie Mae had not sold for cash any securities specifically backed by the multifamilies it has purchased.

Looking ahead

Having successfully marketed the initial offerings of multifamily PCs, Freddie Mac plans to issue multifamily PCs regularly. Freddie Mac purchases multifamily Plan B mortgages daily at yields announced on the commitment line and expects to bring PCs to market as Freddie Mac accumulates adequate mortgage inventory. After purchasing $331 million worth of multifamily mortgages in 1984, Freddie Mac purchased $927 million in the first three quarters of 1985. (See graph of Freddie Mac multifamily purchases.) Freddie Mac expects purchase volume to continue rising, given the attractive required net yields, as more originators discover the ease and profitability of selling multifamily loans to Freddie Mac. The volume of new originations of multifamily mortgages, projected to be $25 billion in 1985, implies tremendous growth potential. Moreover, the $179 billion of outstanding multifamily loans represents a largely untapped market for mortgage conduits. □

GRAPH 1

Freddie Mac Purchases of Multifamily Mortgages (Excluding Swaps) ($ in Millions)



MORTGAGE MARKET TRENDS

Economic expansion continued at a moderate pace in the fourth quarter of 1985. The Commerce Department's "flash" estimate of 3.2 percent GNP growth for the fourth quarter was up only slightly from their revised estimate of 3 percent in the third. The previous estimate for third quarter growth was 4.3 percent. Inclusion of the fourth quarter estimate results in a 1985 GNP growth rate of 2.4 percent, down sharply from the 6.6 percent experienced in 1984.

In the third quarter, growth of final sales was stimulated by a surge of new car buying propelled by auto manufacturers' financing incentives; auto inventories declined. In the fourth quarter, the rise of final sales slowed appreciably, while business inventory investment turned up again as a result of increased stocks of domestic cars.

The closing months of 1985 have produced statistics of a somewhat divergent nature. The civilian unemployment rate registered three consecutive monthly declines, to 6.8 percent in December. During this time, payroll employment increased by over 800,000 jobs. Just as importantly, employment within manufacturing reversed its third quarter decline, accounting for about 10 percent of the quarterly gain in total employment. Additionally, hours worked in manufacturing during December rose to its highest level in more than a year.

Data on the industrial sector through November do not as yet show any pick up in output. Although industrial production in November rose 0.4 percent, the increase merely offset the October decline. The November gain primarily reflected a gain in durable goods production—defense equipment, autos and consumer home goods. New orders for durable goods continued to slide in November but an increase in nondurable orders pushed total orders up 1 percent.

Factory shipments rose again in November, the third increase in four months. Manufacturers' inventories fell again in November, continuing the downtrend in evidence since March, a downtrend that has resulted in a significant decline in the manufacturers' inventory/shipments ratio.

Following October's decline in retail sales, November sales volume rose a moderate 0.7 percent but showed further strength in December, rising 1.9 percent. The reintroduction of auto financing incentives in December led to a strengthening of auto sales and upticks in food and energy prices helped boost sales at food stores and gasoline stations in both November and December. Total fourth quarter sales remained below the third quarter level, however, when auto sales were extremely strong.

Excluding December auto buying, durable goods sales registered a healthy 4.3 percent increase during the month, up from a 0.7 percent rise in November. Nondurable goods sales increased 0.6 percent in both November and December.

Reflecting recent declines in mortgage interest rates, new home sales picked up in November from their lethargic pace in late summer and early fall. Housing starts slipped to 1.5 million units, however, reversing the October increase. The November decline may be weather related. In any event, housing starts in October and November together averaged about 1.65 million units, still close to the third quarter average. Given recent declines in mortgage rates, it is not unreasonable to expect increased activity in home construction in the near future.

The outlook for prices continues to be optimistic. Although consumer prices rose 0.6 percent in November, more than in earlier months, the jump was caused by temporary increases in food and energy costs. When food and energy are excluded, consumer prices in November compare favorably with earlier monthly increases. At the wholesale level, producer prices of finished goods increased sharply in October and November, but rose more modestly in December. In large part, the cause of the October-November bulge was a temporary rise in food and energy prices. In all of 1985, crude material prices actually fell 5½ percent, intermediate goods prices dropped 0.3 percent and prices for finished goods rose by less than 2 percent. Although the decline in the exchange value of the dollar is already having an effect on prices of some imported goods, the basic rate of inflation is unlikely to change significantly in 1986.

Two fourth quarter developments suggest that economic growth in the first half of 1986 may be slightly better than we had earlier anticipated. First, the fourth quarter bond market rally reduced long-term market increase rates by about 1¼ percentage points and was accompanied by substantial increases in equity values. Some of the gains in these two markets have recently been reversed, but these increases in the value of financial assets should have positive effects on spending and output in 1986. Second, increased strength in the industrial sector is suggested by the turnaround in manufacturing employment in the fourth quarter. This turnaround may reflect the fact that domestic producers are able to compete more effectively in international markets, given current levels of the exchange rate.

We believe that GNP growth in the first half of 1986 may stay close to the 3 percent plus pace of the last half of 1985, with somewhat better increases in net exports, consumer spending and housing activity than we expected earlier. New home sales may, for a short time, move up to above the 700 thousand level, with housing starts touching 1.8 million units. With this better outlook for economic growth, interest rates are unlikely to fall further. A significant upturn in interest rates as a result of this strengthening economy, however, is also unlikely. Longer-term interest rates, nonetheless, may be influenced by Federal budget developments, particularly with market perceptions of whether or not the Gramm-Rudman law will be effective in reducing the deficit.

Gregory D. Luetscher
Economist
January 14, 1986

HOUSING ACTIVITY

RESIDENTIAL STRUCTURES, BY UNIT TYPE

(Units in thousands)

YEAR AND MONTH	HOUSING STARTS						PERMITS 17,000 ISSUING PLACES					
	Actual			Seasonally Adjusted Annual Rate			Actual			Seasonally Adjusted Annual Rate		
	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units
1985												
JUN	163	110	53	1,701	1,123	578	156	100	56	1,712	1,091	621
JUL	160	114	46	1,663	1,148	515	158	103	55	1,694	1,088	606
AUG	161	110	52	1,740	1,156	584	159	101	58	1,784	1,117	667
SEP	148	98	50	1,616	1,058	558	167	93	74	1,808	1,076	732
OCT	172	113	59	1,761	1,202	559	158	100	58	1,688	1,077	611
NOV$_P$	120	77	43	1,547	1,021	526	119	73	46	1,648	1,021	627
1983 TOTAL	1,703	1,181	522				1,605	1,035	570			
1984 TOTAL	1,750	1,206	544				1,682	1,065	617			
11 MONTHS												
1985	1,851	1,335	516				1,610	1,014	596			
1984	1,616	1,093	523				1,575	1,005	570			
1983	1,595	1,112	483				1,497	970	527			
1982	979	685	294				904	578	326			

RESIDENTIAL STRUCTURES BY REGION

(Units in thousands)

YEAR AND MONTH	STARTS								PERMITS 17,000 ISSUING PLACES							
	Actual				Seasonally Adjusted Annual Rate				Actual				Seasonally Adjusted Annual Rate			
	North East	Mid-West	South	West	North East	Mid-West	South	West	North East	Mid-West	South	West	North East	Mid-West	South	West
1985																
JUN	27	27	67	42	284	239	737	441	26	25	64	42	275	254	743	440
JUL	23	23	70	44	208	217	783	455	23	26	66	43	238	256	754	446
AUG	25	25	66	44	230	241	751	524	25	25	65	44	266	259	770	489
SEP	24	23	61	40	229	230	703	454	25	24	65	53	242	225	758	583
OCT	32	28	73	40	304	222	805	430	29	25	65	39	282	228	736	442
NOV$_P$	19	15	56	30	209	186	730	422	21	16	51	31	279	199	709	461
1983 TOTAL	168	218	935	382					164	188	863	390				
1984 TOTAL	204	243	866	436					201	212	812	457				
11 MONTHS																
1985	233	225	725	433					248	221	692	450				
1984	190	232	815	413					186	200	760	430				
1983	159	207	873	357					153	179	806	360				
1982	109	142	544	184					98	116	487	200				

HOUSING ACTIVITY (Cont'd.)

YEAR AND MONTH	HOUSING SALES (Units in thousands) EXISTING HOUSES[1]	NEW HOMES Sold	NEW HOMES Available For Sale	NEW HOMES Months Supply at Current Rate	VALUE OF NEW CONSTRUCTION PUT IN PLACE (Dollars in millions) Seasonally Adjusted Annual Rate Total	1 Unit	2+ Units	Nonres.	CONSTRUCTION STATUS (Units in thousands) Seasonally Adjusted Annual Rate Under Construction Total	1-4 Units	5+ Units	Completions Total	1-4 Units	5+ Units
1985														
JUN	297	65	354	6.1	$198,405	$82,926	$29,233	$86,246	1,075	634	441	164	108	56
JUL	311	63	351	5.8	198,747	83,354	29,475	85,918	1,073	636	437	146	100	46
AUG	337	61	351	6.0	201,344	83,976	29,383	87,985	1,084	642	442	154	103	51
SEP	281	54	352	6.5	203,375	84,096	29,716	89,563	1,063	624	439	158	110	48
OCT	301	52	360	6.8	204,382	85,325	30,559	88,498	1,090	635	455	151	110	41
NOV[P]	247	46	360	6.6	205,728	85,235	30,695	89,798	1,085	629	456	138	98	40
1983 TOTAL	2,719	623										1,390	1,016	374
1984 TOTAL	2,868	639										1,652	1,137	515
11 MONTHS														
1985	3,099	639										1,536	1,054	482
1984	2,694	601										1,503	1,034	469
1983	2,539	574										1,252	913	339
1982	1,843	380										911	645	266

LENDER ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED
By Type of Institution and By Unit Type
(Dollars in millions)

YEAR AND MONTH	TOTAL Total	Mtg. Bankers[2]	S&Ls	Banks[2]	Life Cos.	1-4 UNITS Total	Mtg. Bankers[2]	S&Ls	Banks[2]	Life Cos.
1985										
FEB	$20,961	$4,273	$ 7,941	$ 7,351	$1,396	$12,944	$3,717	$5,618	$3,555	$ 54
MAR	25,406	4,333	10,681	8,350	2,042	16,517	4,037	7,887	4,502	91
APR	26,120	4,849	11,955	7,403	1,913	17,909	4,467	9,178	4,208	56
MAY	28,212	4,548	13,096	8,519	2,049	19,602	4,377	10,268	4,897	60
JUN	32,571	5,423	12,665	12,370	2,113	20,945	5,080	9,551	6,232	82
JUL[P]	30,932	6,028	11,709	11,051	2,144	20,959	5,655	9,093	6,110	101
1983 TOTAL	276,371	65,050	103,882	91,500	15,939	193,535	55,680	81,524	55,605	726
1984 TOTAL	297,406	53,160	129,482	97,776	16,988	196,139	44,500	96,187	54,626	826
7 MONTHS										
1985	184,388	33,458	75,969	62,370	12,591	122,467	31,227	57,317	33,431	492
1984	175,871	33,330	77,816	55,992	8,734	123,189	31,187	59,205	32,322	475
1983	149,110	37,568	54,919	49,701	6,922	110,261	35,547	43,619	30,674	421
1982	67,238	14,857	21,931	25,749	4,701	45,997	13,406	18,001	14,302	288

LENDER ACTIVITY (Cont'd.)

LOANS CLOSED (Cont'd.)

(Dollars in millions)

YEAR AND MONTH	5+ UNITS					NONRESIDENTIAL				
	Total	Mtg Bankers[3]	S&Ls	Banks[2]	Life Cos.	Total	Mtg Bankers[3]	S&Ls	Banks[2]	Life Cos.
1985										
FEB	$1,830	$378	$ 923	$396	$133	$6,187	$178	$1,400	$3,400	$1,209
MAR	2,020	170	1,162	511	177	6,869	126	1,632	3,337	1,774
APR	1,937	163	1,223	406	145	6,274	219	1,554	2,789	1,712
MAY	1,992	34	1,238	505	215	6,618	137	1,590	3,117	1,774
JUN	2,329	228	1,417	590	94	9,297	115	1,697	5,548	1,937
JULp	1,770	19	974	604	173	8,203	354	1,642	4,337	1,870
1984 TOTAL	19,443	3,840	8,521	5,485	1,597	63,393	5,530	13,837	30,410	13,616
1984 TOTAL	22,125	1,980	13,160	5,519	1,466	79,142	6,680	20,135	37,631	14,696
7 MONTHS										
1985	13,108	1,028	7,628	3,413	1,039	48,813	1,203	11,024	25,526	11,060
1984	12,036	348	7,390	3,514	787	40,643	1,795	11,220	20,156	7,472
1983	8,225	425	4,469	2,792	539	30,624	1,596	6,831	16,235	5,962
1982	3,413	560	1,438	1,148	277	17,828	901	2,492	10,299	4,136

LONG-TERM COMMITMENT ACTIVITY

By Type of Institution

(Dollars in millions)

YEAR AND MONTH	ISSUED DURING MONTH					OUTSTANDING				
	Total	Mtg Bankers[3]	S&Ls	Banks[2]	Life Cos.	Total	Mtg Bankers[3]	S&Ls	Banks[2]	Life Cos.
1985										
FEB	$30,485	$3,695	$10,564	$3,624	$2,602	$ 92,165	$ 8,987	$50,899	$16,994	$15,285
MAR	28,222	3,403	14,217	7,831	2,770	98,340	8,921	53,175	21,748	14,496
APR	34,853	3,897	14,893	3,798	2,265	97,805	10,616	55,146	15,865	16,278
MAY	25,999	4,355	15,100	4,115	2,429	98,643	10,108	55,898	16,223	16,414
JUN	27,516	5,156	14,174	5,486	2,801	103,639	11,401	56,079	19,126	17,033
JULp	26,393	4,288	14,594	4,928	2,583	95,189	10,167	49,838	17,882	17,302
1983 TOTAL	260,343	81,070	123,861	38,195	17,217					
1984 TOTAL	264,193	50,100	146,184	47,065	20,844					
7 MONTHS										
1985	171,014	27,593	92,749	33,233	17,439					
1984	162,382	29,088	91,017	25,886	16,391					
1983	146,079	43,645	70,116	21,581	10,737					
1982	56,091	19,011	22,326	10,984	3,770					

MORTGAGE INSURANCE

(Units in thousands. Dollars in millions)

YEAR AND MONTH	APPLICATIONS RECEIVED (Units)				LOANS INSURED							
	Total	FHA[1]	VA	Private	Total		FHA(203)		VA		Private	
					Units	Amt	Units	Amt	Units	Amt	Units	Amt
1985												
JUN	192	80	19	93	112	$7,330	36	$2,118	14	$ 961	62	$4,251
JUL	218	83	24	101	96	6,558	11	656	16	1,104	69	4,798
AUG	216	88	25	103	114	7,646	28	1,644	19	1,275	67	4,727
SEP	201	82	26	93	130	8,545	47	2,771	20	1,318	63	4,456
OCT	205	84	24	97	122	8,308	34	2,041	16	1,120	72	5,147
NOVp	173	78	27	68	128	8,488	47	2,795	25	1,693	56	4,000
1983 TOTAL	1,921	777	261	883	1,302	79,469	367	19,141	283	17,965	652	42,363
1984 TOTAL	1,862	477	180	1,205	1,345	86,777	200	10,644	199	12,730	946	63,403
11 MONTHS												
1985	2,031	822	229	980	1,168	76,986	315	18,425	173	11,699	680	46,862
1984	1,736	427	182	1,127	1,262	82,462	190	10,260	185	12,730	887	59,472
1983	1,830	721	314	795	1,198	71,876	356	18,093	263	16,518	579	37,265
1982	907	375	134	398	482	26,632	91	4,177	84	4,866	307	17,589

SECONDARY MARKET ACTIVITY

(Dollars in millions)

YEAR AND MONTH	FNMA Portfolio Comm	FNMA Portfolio Purc	FNMA Mortgage-Backed Securities Outstanding	FNMA Mortgage-Backed Securities Issued	FHLMC Comm to Sell	FHLMC Comm to Buy	FHLMC Mtg Purc	FHLMC Mtg Sold	GNMA Pass-Through Securities Applications	GNMA Pass-Through Securities Issued
1985										
JUN	$ 1,583	$ 1,904	$42,755	$ 1,519	$ 4,101	$ 5,172	$ 4,106	$ 3,281	$ 3,324	3,609
JUL	1,583	1,918	43,891	1,527	2,714	3,258	4,626	4,385	9,086	3,859
AUG	1,797	1,921	45,668	2,207	3,858	3,958	3,602	2,685	5,872	4,153
SEP	1,638	1,739	48,769	3,654	2,757	2,919	4,219	4,501	6,927	4,403
OCT	1,733	1,767	50,363	2,228	4,169	3,995	3,215	3,081	6,849	5,795
NOV[P]	1,199	1,624	52,198	2,469	n.a.	n.a.	n.a.	n.a.	6,059	5,251
1983 TOTAL	18,606	17,558	—	13,081	30,921	32,846	22,952	21,376	70,461	50,495
1984 TOTAL	21,008	16,722	—	13,546	30,743	32,601	21,885	20,489	36,101	27,859
11 MONTHS										
1985	18,367	19,848	—	20,284	35,615*	38,483*	34,236*	31,671*	58,932	41,349
1984	18,249	14,759	—	12,254	22,669	24,269	15,505	14,158	32,849	25,787
1983	17,136	15,354	—	12,500	28,064	29,050	19,929	19,117	66,234	47,953
1982	19,053	12,621	—	9,367	25,480	25,418	17,838	18,188	35,773	13,680

INTEREST RATES AND YIELDS

YEAR AND MONTH	1- to 4-UNIT MORTGAGES: FHA OPINION SURVEY FHA NEW[4]	FHA OPINION SURVEY CONVENTIONAL New	FHA OPINION SURVEY CONVENTIONAL Existing	FHLBB SURVEY CONVENTIONAL New	FHLBB SURVEY CONVENTIONAL Existing	FNMA Mandatory Delivery Yields ARM (5 yr. Treas.)	FNMA Mandatory Delivery Yields Conv.	APARTMENTS[5]
1985								
JUL	12.12%	12.09%	12.10%	11.38%	11.48%	11.000%	11.569%	13.22%
AUG	11.99	12.06	12.04	11.24	11.33	11.238	11.719	13.23
SEP	12.04	12.02	12.03	11.17	11.20	11.200	11.775	13.21
OCT	11.87	11.86	11.88	11.09	11.32	n.a.	11.575	13.03
NOV	11.28	11.56	11.58	11.01	11.26	n.a.	11.160	12.38
DEC[P]	n.a.	n.a.	n.a.	10.67	11.14	n.a.	10.425	12.06

YEAR AND MONTH	CURRENT SECONDARY MARKET YIELDS GNMA[6]	FNMA[6]	FHLMC[6]	SELECTED SECURITIES A-Rated[7] Utility	U.S. Government 10 yr.	U.S. Government 26-wk.	Prime Comm. Paper 90-119 Days
1985							
JUL	11.26%	11.30%	11.27%	11.64%	10.31%	7.20%	7.56%
AUG	11.39	11.38	11.42	11.77	10.33	7.32	7.72
SEP	11.41	11.43	11.47	11.87	10.37	7.27	7.83
OCT	11.24	11.28	11.34	11.82	10.24	7.33	7.80
NOV	10.96	10.95	11.01	11.38	9.78	7.30	7.77
DEC	n.a.	n.a.	n.a.	10.91	9.26	7.14	7.75

YEAR AND MONTH	SPREADS (Basis Points) FHA New Minus A-Utility	GNMA Minus 10-Yr. Govt.	FNMA Minus 10-Yr. Govt.	FHLMC Minus 10-Yr. Govt.
1985				
JUN	25	104	104	107
JUL	35	95	99	96
AUG	22	106	105	109
SEP	17	104	106	110
OCT	49	100	104	110
NOV	(10)	118	117	123

n.a.—Not available. p—Preliminary.
From the National Association of Realtors, Existing Home Sales series.
Mutual Savings Banks and Commercial Banks.
FHA applications received includes the Direct Endorsement Program starting in 1984.
Secondary market gross yields.
Federal Home Loan Mortgage Corp. Existing Construction only.
Reflects 60 to 90 day delivery.
Prior to January 1984 this rate was for Aaa-rated New Issue Utility Bonds.
Year to date seasonally adjusted totals not calculated.
Data on mortgage backed securities obtained from the HUD Survey of Mortgage Lending Activity.
* 10 Month Totals.

MORTGAGE BANKING ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED[1]

NOT SEASONALLY ADJUSTED

YEAR AND MONTH	Total	1-4 Units				5+ Units			Non-[3] res	SEASONALLY ADJUSTED			
		Total	FHA	VA	Conv	Total	FHA	Conv		Total[2]	1-4 Units	5+ Units	Non-[3] res
1984													
JUL	$ 3,760	$ 3,330	$ 800	$ 530	$ 2,000	$ 0	$ 0	$ 0	$ 430	$3,530	$2,960	$ 0	$460
AUG	3,670	3,070	520	380	2,170	0	0	0	500	3,120	2,600	0	510
SEP	3,050	2,400	550	380	1,470	70	70	0	580	3,380	2,500	120	780
OCT	3,700	3,110	820	470	1,820	0	0	0	590	3,600	2,920	0	750
NOV	3,370	3,090	830	470	1,800	0	0	0	280	3,890	3,610	0	280
DEC	5,250	4,090	1,280	690	2,120	80	0	80	1,080	4,880	3,860	70	770
1983 Total	65,050	55,680	20,620	12,670	22,490	3,840	810	3,030	5,530				
1984 Total	53,170	44,500	10,850	7,130	26,520	1,990	130	1,860	6,680				
12 MONTHS[4]													
1984	53,170	44,500	10,850	7,130	26,520	1,990	130	1,860	6,680				
1983	65,050	55,680	20,620	12,670	22,490	3,840	810	3,030	5,530				
1982	29,290	24,440	5,510	5,160	13,770	1,560	640	940	3,290				
1981	40,470	29,830	8,360	6,200	15,270	1,740	770	970	8,910				

COMMITMENT ACTIVITY: LONG-TERM MORTGAGE LOANS[1]

COMMITMENTS DURING MONTH

YEAR AND MONTH	To Borrowers				From Investors				OUTSTANDING COMMITMENTS END OF MONTH					
									To Borrowers			From Investors		
	Total	1-4 Units	5+ Units	Non-[3] res	Total	1-4 Units	5+ Units	Non-[3] res	1-4 Units	5+ Units	Non-[3] res	1-4 Units	5+ Units	Non-[3] res
1984														
JUL	$ 4,060	$ 2,940	$ 2	$ 1,120	$ 4,050	$ 3,580	$ 20	$ 450	$10,840	$ 70	$570	$9,870	$250	$1,570
AUG	2,920	2,630	2	290	4,220	3,380	10	830	7,430	40	500	7,730	210	1,600
SEP	2,910	2,640	30	240	3,700	2,400	80	280	7,350	300	500	7,460	480	800
OCT	3,910	3,240	0	670	4,550	4,090	30	430	7,660	170	540	8,400	370	740
NOV	3,430	2,820	0	610	3,880	2,760	170	950	7,460	40	690	6,940	270	1,050
DEC	5,480	4,090	430	960	4,850	3,910	80	860	7,850	100	750	7,810	260	1,170
1983 TOTAL	81,070	67,740	4,310	9,020	79,450	64,240	5,770	9,440						
1984 TOTAL	50,100	41,420	510	8,170	55,550	43,820	3,160	8,570						
12 MONTHS[4]														
1984	50,100	41,420	510	8,170	55,550	43,820	3,160	8,570						
1983	81,070	67,740	4,310	9,020	79,450	64,240	5,770	9,440						
1982	47,800	36,760	3,330	7,710	46,740	34,380	3,960	8,400						
1981	36,700	30,170	1,200	5,330	44,700	30,410	1,740	12,550						

OUTSTANDING END OF MONTH INVENTORY[1]

YEAR AND MONTH	Total	1-4 Units				5+ Units			Non-res.[3]
		Total	FHA	VA	Conv	Total	FHA	Conv	
1984									
JUL	$8,870	$6,990	$1,480	$1,090	$4,420	$730	$0	$730	$1,150
AUG	7,070	5,520	1,060	740	3,720	640	0	640	910
SEP	7,390	5,490	1,010	680	3,800	640	0	640	1,260
OCT	8,060	6,350	1,190	870	4,290	600	0	600	1,110
NOV	8,010	6,280	1,190	850	4,240	590	0	590	1,140
DEC	6,840	6,090	1,500	980	3,610	170	0	170	580

MORTGAGE BANKING ACTIVITY (Cont'd.)

YEAR AND MONTH	COVERAGE[4] 1-4 Units	COVERAGE[4] 5+ Units	COVERAGE[4] Non-[3] res	SERVICING VOLUME[1] Total	1-4 Units	5+ Units	Non-[3] res	NOTES PAYABLE[1] (End of Month Balances) Total	Comm Paper	To Banks	To Others
1984											
JUL	55%	31%	91%	$421,420	$317,600	$63,980	$39,840	$41,960	$6,190	$12,710	$23,060
AUG	60	31	113	363,570	282,400	42,060	39,110	47,940	5,750	13,220	28,970
SEP	58	51	45	381,070	302,840	39,300	38,930	59,220	4,520	14,240	40,460
OCT	60	48	45	417,780	339,960	40,660	37,160	57,230	4,830	17,070	35,330
NOV	51	43	57	422,490	350,580	39,790	32,120	54,180	4,820	19,180	30,180
DEC	56	96	88	385,270	321,620	33,110	30,540	42,280	8,390	23,680	10,210

CONSTRUCTION AND LAND LOAN ACTIVITY[1]

YEAR AND MONTH	CONSTRUCTION LOANS CLOSED Total	1-4 Units	5+ Units	Non-[3] res	DISBURSEMENTS DURING MONTH Total	1-4 Units	5+ Units	Non-[3] res	Land Loans	END OF MONTH INVENTORY Total	1-4 Units	5+ Units	Non-[3] res	Land Loans
1984														
JUL	$790	$130	$210	$450	$280	$ 70	$10	$200	$180	$2,760	$ 900	$240	$1,620	$1,120
AUG	410	110	130	170	100	60	0	40	90	2,200	790	190	1,220	830
SEP	440	100	160	180	100	50	10	40	120	2,150	790	180	1,180	800
OCT	400	210	100	90	90	40	10	40	130	2,180	780	220	1,180	870
NOV	210	140	50	20	170	110	20	40	240	3,520	1,380	410	1,730	2,260
DEC	470	270	120	80	430	220	30	180	470	9,240	3,790	790	4,660	3,440

COMMITMENTS TO BORROWERS AND LAND CONSTRUCTION LOANS[1]

YEAR AND MONTH	ISSUED DURING MONTH Total	1-4 Units	5+ Units	Non-[3] res	END OF MONTH BALANCES Total	1-4 Units	5+ Units	Non-[3] res
1984								
JUL	$1,730	$130	$ 60	$1,540	$4,090	$870	$470	$2,750
AUG	770	190	80	500	3,680	850	460	2,370
SEP	760	100	80	580	4,170	760	580	2,830
OCT	710	150	160	400	3,820	860	590	2,370
NOV	380	140	70	170	3,230	680	430	2,120
DEC	790	200	10	580	3,910	930	280	2,700

Notes: All dollar amounts are in millions.
[1]Total is seasonally adjusted separately from components. Total therefore may not equal sum of parts.
[3]Series labeled non-residential are also exclusive of farm data.
[4]Percent coverage equals outstanding commitments received from investors divided by the sum of outstanding end-of-month inventory and outstanding commitments issued to borrowers, all multiplied by 100.
[1]Year-to-date seasonally adjusted series not calculated.